

PUBLIC DISCLOSURE

December 19, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

EASTHAMPTON SAVINGS BANK

Cert. # 90188

**36 MAIN STREET
EASTHAMPTON, MASSACHUSETTS 01027**

Division of Banks

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Boston, MA 02118

Federal Deposit Insurance Corporation

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NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Deposit Insurance Corporation or the Division of Banks concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Easthampton Savings Bank (or the "Bank")** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **December 19, 2011**. These agencies evaluate the Bank's performance in the assessment area(s), as it is defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division and the FDIC evaluate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC's Rules and Regulations.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following table indicates the performance level of the institution with respect to the lending, investment, and service tests.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

PERFORMANCE TESTS Easthampton Savings Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Satisfactory**	X	X	
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

**Note: FDIC rules and regulations stipulate use of a high satisfactory and low satisfactory rating for the three tests. For purposes of this jointly issued public evaluation, the term "satisfactory" will be used in lieu of the "low satisfactory" rating for the lending, investment, and service test ratings.

A summary of Easthampton Savings Bank's performance is provided below:

LENDING TEST

The Lending Test is rated “Satisfactory” based on the following:

- The Bank’s lending activity reflects excellent responsiveness to credit needs in its assessment area.
- A high percentage of the Bank’s home mortgage and small business loans were extended in the Bank’s assessment area.
- The distribution of borrowers, given the product lines offered by the institution, reflects adequate penetration among retail customers of different income levels and business customers of different sizes.
- The geographic distribution of loans reflects a poor penetration throughout the assessment area, particularly to low- or moderate-income geographies in the assessment area.
- The Bank exhibits an adequate record of serving the credit needs of the most economically disadvantaged areas of its assessment area, low-income individuals, and very small businesses, consistent with safe and sound business practices.
- The Bank made a relatively high level of community development loans.
- The Bank makes limited use of innovative and/or flexible lending practices to serve assessment area credit needs.

INVESTMENT TEST

The Investment Test is rated “Satisfactory” based on the following:

- The Bank has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.
- The Bank exhibits adequate responsiveness to credit and community development needs.
- The Bank occasionally uses innovative and/or complex investments to support community development initiatives.

SERVICE TEST

The Service Test is rated “High Satisfactory” based on the following:

- The Bank’s delivery systems are accessible to essentially all portions of the assessment area.
- Changes in branch locations have not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income census tracts and to low- and moderate-income individuals.
- The Bank’s services and hours do not vary in a way that inconveniences any portion of the assessment area, particularly low- and moderate-income individuals and census tracts.
- The Bank provides a relatively high level of community development services.

PERFORMANCE CONTEXT

Description of Institution

Easthampton Savings Bank is a state-chartered mutual bank headquartered in Easthampton, Massachusetts serving Hampshire and Hampden Counties in western Massachusetts. The Bank was established in 1869 and opened its first branch office in 1973 in Southamptton. Effective October 1, 2008, Easthampton Savings Bank reorganized into a mutual holding company, ESB Bancorp MHC, with a mid-tier holding company (ESB Bancorp, Inc.). Easthampton Savings Bank is the continuing institution in stock form. Easthampton Savings Bank has the following wholly-owned subsidiaries: ESB Investment Services, which offers non-deposit investment products, ESB Securities Corporation, which holds investment securities for state tax benefits, and Easthampton Savings Bank Foundation, which supports local community oriented organizations.

In addition to its main office located at 36 Main Street in Easthampton, Massachusetts, the Bank operates eight branch offices located in the following Massachusetts cities and towns: Agawam, Belchertown, Easthampton, Hadley, Northampton (2 offices), South Hadley, Southamptton, and Westfield. Easthampton Savings Bank offers numerous types of deposit products for consumer and business customers, as well as a variety of residential, commercial, and consumer loan products.

As of September 30, 2011, Easthampton Savings Bank had total assets of \$934 million. Total assets grew by \$160 million since the last CRA evaluation. Gross loans are \$635 million and total deposits are \$755 million. A substantial portion of the Bank's assets are in net loans at over 67 percent, with securities representing 23 percent of total assets. Table 1 reflects the Bank's loan portfolio distribution as of September 30, 2011.

Table 1		
Loan Distribution as of September 30, 2011		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans (%)
Construction and Land Development	14,355	2.3
1-4 Family Residential - first lien	469,712	73.9
1-4 Family Residential - junior lien	14,501	2.3
Home Equity Loans	29,870	4.7
Multifamily Residential Properties	30,907	4.9
Commercial Real Estate	45,123	7.1
Total Real Estate Loans	604,468	95.2
Commercial and Industrial	24,979	3.9
Consumer Loans	3,319	0.5
Total Other Loans	2,368	0.4
Farm Loans	82	(negligible)
Total Loans	635,216	100.0

Source: Consolidated Report of Condition and Income.

The Bank's portfolio distribution remained relatively steady since the last CRA evaluation dated July 30, 2008. The Bank's primary lending focus is one-to-four family residential real estate lending which makes up approximately 81 percent of total loans. Total real estate loans, which include both residential and commercial, comprise approximately 95.2 percent of the total loan portfolio, as of September 30, 2011.

Over the evaluation period, the Bank's average net loan-to-deposit ratio (NLTD) was 89.6 percent. The Bank's most recent NLTD ratio is 83.6 percent (as of September 30, 2011), which is a decline from the 97.6 percent NLTD ratio as of June 30, 2008. This decline is attributed to a rapid 26.5 percent increase in deposit growth compared to an 8.3 percent growth in net loans during the evaluation period. According to Bank management, the deposit account growth stems from a combination of factors, such as the Bank expanding into new areas (the Agawam branch opened in 2011), an increase in municipal products (\$40 million increase during the evaluation period), and a trend of consumers moving their accounts from larger banks to community banks. Two banks of comparable size (Florence Savings Bank and PeoplesBank) that operate in the assessment area have similar average NLTD ratios.

The Bank received a CRA rating of "Satisfactory" from the FDIC and the Division at the previous CRA evaluation conducted as of July 30, 2008, utilizing Large Bank CRA evaluation procedures. There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to meet the community's credit needs remains strong.

Description of Assessment Area

The CRA requires financial institutions to define a specific assessment area or areas within which they will concentrate their lending efforts and within which its record of helping to meet the needs of its community will be evaluated. The Division and the FDIC evaluate an institution's CRA performance within one or more defined assessment areas. The assessment area meets the technical requirements of the CRA since it (1) consists of one or more political subdivisions; (2) includes geographies where the Bank has its main office, branches and deposit-taking ATMs, as well as the surrounding geographies in which the Bank originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not reflect illegal discrimination; and (5) does not arbitrarily exclude low- and moderate-income areas. The assessment area as currently defined meets the technical requirements of the CRA.

Easthampton Savings Bank changed its assessment area since the July 30, 2008 CRA evaluation due to the Bank opening a branch in Agawam, Massachusetts in April 2011. This resulted in an increase of its assessment area from 45 census tracts to 66 census tracts. The 21 census tracts added are in Agawam, Chicopee and West Springfield.

The Bank's assessment area for years 2009 and 2010 consisted of 45 census tracts within western Massachusetts. The assessment area included 16 cities and towns within Hampshire and Hampden Counties. Cities and towns in Hampshire County include Amherst, Belchertown, Chesterfield, Easthampton, Goshen, Granby, Hadley, Hatfield, Huntington, Northampton, South Hadley, Southampton, Westhampton, and Williamsburg. Cities and towns in Hampden County include Holyoke and Westfield. All of these cities and towns are contained within the Springfield MA, Metropolitan Statistical Area ("MSA").

As previously noted, during 2011, Easthampton Savings Bank expanded its assessment area in western Massachusetts. The expanded assessment area added the towns of Agawam, Chicopee, and West Springfield into the existing assessment area. All of the added towns are in Hampden County and within the Springfield MA, MSA.

To assess the Bank's lending performance within this evaluation, certain demographic data is reviewed to determine the assessment area's characteristics. A large percentage of the demographic information was derived from the 2000 United States (U.S.) Census data, the most recently available during the evaluation. Table 2 highlights the relevant 2009 and 2010 assessment area demographic information. Table 3 highlights the 2011 assessment area demographic information.

Table 2						
2009 and 2010 Assessment Area Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	45	8.9	11.1	40.0	37.8	2.2*
Population by Geography	217,672	4.9	16.3	46.2	32.6	0.0
Owner-Occupied Housing by Geography	48,363	0.7	7.5	53.6	38.2	0.0
Family Distribution by Income Level	49,536	19.4	16.0	22.2	42.4	0.0
Business by Geography	13,944	5.3	12.0	51.5	31.2	0.0
Farms by Geography	440	0.5	2.5	53.2	43.8	0.0
Distribution of Low- and Moderate-Income Families by Geography	17,506	11.5	19.6	48.1	20.8	0.0
HUD Adjusted Median Family Income – 2010 Households Below Poverty Level (2000)		\$67,400 12.7%	Median Housing Value (2000) MA Unemployment Rate (2010)		\$134,300 9.4%	

Source: 2000 U.S. Census Data; 2010 Department of Housing and Urban Development (HUD) Updated MFI; and U.S. Bureau of Labor Statistics. (*) The NA category consists of a single geography that has not been assigned an income classification. Tract 8208.02 is Hampshire College.

Table 3						
2011 Assessment Area Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	66	6.1	15.2	45.4	31.8	1.5*
Population by Geography	328,368	3.2	17.8	51.4	27.6	0.0
Owner-Occupied Housing by Geography	77,247	0.4	9.5	57.9	32.2	0.0
Family Distribution by Income Level	78,427	19.5	17.3	23.0	40.2	0.0
Business by Geography	20,334	3.6	16.4	53.5	26.5	0.0
Farms by Geography	570	0.4	4.2	55.4	40.0	0.0
Distribution of Low- and Moderate-Income Families (MFI) by Geography	28,838	7.0	23.3	52.8	16.9	0.0
Households Below Poverty Level (2000)		11.8%	Median Housing Value (2000)		\$125,446	

Source: 2000 U.S. Census Data; 2010 HUD Updated MFI; and U.S. Bureau of Labor Statistics; (*) see above

Geographies

The Bank's 2009 and 2010 assessment area consists of 4 low-income census tracts, 5 moderate-income census tracts, 18 middle-income census tracts, 17 upper-income census tracts, and 1 classified as "NA." The NA tract entirely consists of Hampshire College in Amherst with no owner-occupied housing units. The four low-income census tracts are all located within the City of Holyoke, as are three of the five moderate-income census tracts. The two remaining moderate-income census tracts are located in Westfield and Amherst. The low-income census tracts contain less than 1 percent of the owner-occupied housing units in the assessment area, with moderate-income census tracts accounting for 7.5 percent.

The Bank's 2011 assessment area is comprised of 4 low-income census tracts; 10 moderate-income census tracts; 30 middle-income census tracts; 21 upper-income census tracts; and 1 census tract classified as "NA." The four low-income census tracts are located in the City of Holyoke. The ten moderate-income census tracts are located in the following cities and towns: Amherst (1), Holyoke (3), Chicopee (4), Westfield (1), and West Springfield (1). The NA tract contains Hampshire College located in Amherst with no owner-occupied housing units.

Population

Based on 2000 U.S. Census data, the total population of the 2009 and 2010 assessment area was 217,672 persons. As shown in Table 2, 4.9 percent of the total population resides in low-income census tracts, 16.3 percent in moderate-income tracts, 46.2 percent in middle-income census tracts, and 32.6 percent in upper income census tracts.

Total households below poverty for the 2009 and 2010 assessment area as a whole were at 12.7 percent and area families below poverty level was 8.7 percent. Both figures are well below the state percentages of 9.8 percent and 6.7 percent respectively.

Based on 2000 U.S. Census data, the total population of the Bank's 2011 assessment area is 328,368 persons. As shown in Table 3, 3.2 percent of the total population resides in low-income census tracts, 17.8 percent in moderate-income tracts, 51.4 percent in middle-income census tracts, and 27.6 percent in upper income census tracts.

Total households below poverty for the 2011 assessment area as a whole were at 11.8 percent and area families below poverty level was 8.4 percent. Both figures are well above the state percentages of 9.8 percent and 6.7 percent respectively.

Median Family Income Levels

The home mortgage lending portion of the Borrower Characteristics section of the Lending Test is focused on the distribution of home mortgage loans to borrowers of different incomes, especially to those of low- and moderate-income. Income levels are broken down into four categories: low-, moderate-, middle-, and upper-income. However, this analysis is based on the annual HUD-adjusted MFI for each applicable MSA. The MFIs are based on 2000 United States (U.S.) Census data and have been annually adjusted for inflation and other economic events. The MFI for the assessment area, as indicated by 2000 U.S. Census data, is \$51,150. The HUD updated MFI for the Springfield, MA MSA was \$67,200 in 2009 and \$67,400 in 2010.

Family Distribution

There are 49,536 families within the Bank's 2009 and 2010 assessment area. Table 2 illustrates the breakout of families by income level. A total of 19.4 percent were low-; 16.0 percent were moderate-; 22.2 percent were middle-; and 42.4 percent were upper-income. Table 2 also includes the breakout of low- and moderate-income families by geography (17,506). A total of 11.5 percent were in low-; 19.6 percent were in moderate-; 48.1 percent were in middle-; and 20.8 percent were in upper-income tracts. Households below poverty level were at 49.2 percent in low-income census tracts and 22.1 percent in moderate-income tracts. Families below poverty level were at 47.9 percent in low-income census tracts and 20.6 percent in moderate-income tracts.

There are 78,427 families within the Bank's 2011 assessment area. Table 3 illustrates the breakout of families by income level. A total of 19.5 percent are low-; 17.3 percent are moderate-; 23.0 percent are middle-; and 40.2 percent are upper-income. This table also includes the breakout of low- and moderate-income families (28,838) and where they reside. A total of 7.0 percent are in low-; 23.3 percent are in moderate-; 52.8 percent are in middle-; and

16.9 percent are in upper-income tracts. Households below poverty level were at 49.2 percent in low-income census tracts and 20.8 percent in moderate-income tracts. Families below the poverty level are at 47.9 percent in low-income census tracts and 19.7 percent in moderate-income tracts.

For the Bank's low- and moderate-income census tracts, the confluence of 21.2 percent of the area population, 8.2 percent of owner-occupied housing units, and high percentages of households and families below the poverty level, can impact home mortgage lending opportunities within low- and moderate-income geographies and to low- and moderate-income families.

Business Data

According to 2010 Business Geo-demographic Data, there are approximately 13,944 non-farm businesses operating within the Bank's 2009 and 2010 assessment area. This is a decrease from 2009, when there were 16,393 non-farm businesses in operation.

The breakdown of businesses by census tracts for 2010 is as follows: 5.3 percent are in low-; 12.0 percent were in moderate-; 51.5 percent are in middle-; and 31.2 percent are in upper-income census tracts. When broken down by size, 74.7 percent of non-farm businesses have gross annual revenues of \$1 million or less, which is considered a small business for purposes of this analysis. This is a slight increase from 2009, when 73.7 percent of non-farm businesses were considered small businesses.

According to 2010 Business Geo-demographic Data, there are approximately 20,334 non-farm businesses operating within the Bank's 2011 assessment area. The breakdown of businesses by census tracts for 2010 is as follows: 3.6 percent are in low-income tracts; 16.4 percent are in moderate-; 53.5 percent are in middle-; and 26.5 percent are in upper-income census tracts. When broken down by size, 74.6 percent of non-farm businesses are small businesses.

Housing

According to the Bureau of Census and National Association of Realtors, total housing permits in the Springfield, MA MSA remained relatively flat from 339 permits in 2009 to 335 permits in 2010. The Greater Springfield area has not seen the housing permit increase other Massachusetts areas have seen, as overall housing permits in Massachusetts increased 14.3 percent from 2009 to 2010. Table 4 provides additional housing demographic information about the 2009 and 2010 assessment area.

Table 4 2009 and 2010 Assessment Area Housing Characteristics by Income Category of the Geography								
Income Level of Census Tract	Count/Percentage					Median		
	Housing Units (#)	Owner Occupied Units (#)	Owner- Occupied (%)	Occupied Rental Units (%)	Vacant Units (%)	Age	Home Value	Gross Rent
Low	4,197	327	7.8	81.3	10.9	50	\$61,014	\$415
Moderate	11,140	3,632	32.6	59.8	7.6	55	\$95,616	\$532
Middle	42,682	25,928	60.7	34.8	4.5	40	\$133,315	\$626
Upper	25,775	18,476	71.7	25.4	2.9	34	\$155,379	\$677
Total or Median	83,794	48,363	57.8	37.6	4.7	38	\$139,960	\$592

Source: 2000 U.S. Census Data.

According to 2000 U.S. Census data, demographic data for the Bank's 2011 assessment remained relatively equivalent when compared to the 2009 and 2010 data concerning total housing units, owner-occupied units, rental units, and vacant units. Table 5 provides additional demographic information about the 2011 assessment area.

Table 5 2011 Assessment Area Housing Characteristics by Income Category of the Geography								
Income Level of Census Tract	Count/Percentage					Median		
	Housing Units (#)	Owner Occupied Units (#)	Owner-Occupied (%)	Occupied Rental Units (%)	Vacant Units (%)	Age	Home Value	Gross Rent
Low	4,197	327	7.8	81.3	10.9	50	\$61,014	\$415
Moderate	21,200	7,311	34.5	58.5	7.0	52	\$95,626	\$527
Middle	73,468	44,721	60.9	34.7	4.4	41	\$123,148	\$604
Upper	33,271	24,888	74.8	22.5	2.7	33	\$151,720	\$657
Total or Median	132,136	77,247	58.5	36.9	4.6	39	\$130,929	\$578

Source: 2000 U.S. Census Data.

It should be noted that demographic data depicting the distribution of owner-occupied housing units by income level of census tract is used as a comparison to the Bank's home mortgage lending performance under the Geographic Distribution criterion in the Lending Test.

Housing Prices

According to the 2000 U.S. Census data, the median housing value in the 2009 and 2010 assessment area was \$134,300. It was \$125,446 for the 2011 assessment area. Recent housing data from The Warren Group, publishers of Banker's and Tradesman, revealed a higher range of home values for 2010, with values from \$198,203 to \$204,944. From a statewide and county perspective, values for 2010 are \$275,000 for Massachusetts, \$152,000 for Hampden County, and \$215,950 for Hampshire County.

The Warren Group data indicate that the area's median home sales prices for 2010 ranged from a low of \$140,000 in Holyoke to a high of \$275,000 in Amherst. Most Massachusetts communities have seen yearly median price increase since 2009. However, values for Hampden and Hampshire counties as well as the Bank's assessment area are still seeing declines, which can be attributed to the soft housing market and weakened economic conditions. The assessment area communities had median sales prices slightly over \$200,000. While housing prices are lower than other parts of Massachusetts, the prices are still unaffordable to low- and moderate-income buyers. Affordable housing opportunities for low- and moderate-income individuals and families are a need within the assessment area. Table 6 summarizes median sales prices for the cities and towns located within the assessment area in 2009 and 2010.

Table 6			
Median Home Sales Prices – Assessment Area Municipalities			
2009 and 2010 Assessment Area			
City / Town	2009	2010	% Change
Amherst	\$261,000	\$275,000	5.4
Belchertown	\$240,000	\$229,000	-4.6
Chesterfield	\$90,000	\$162,000	80.0*
Easthampton	\$203,450	\$214,000	5.2
Goshen	\$204,500	\$149,250	-27.0
Granby	\$196,000	\$193,000	-1.5
Hadley	\$275,000	\$244,450	-11.1
Hatfield	\$242,450	\$218,750	-9.8
Holyoke	\$144,000	\$140,000	-2.8
Huntington	\$105,000	\$144,000	37.1
Northampton	\$235,000	\$237,250	1.0
South Hadley	\$202,500	\$190,500	-5.9
Southampton	\$247,500	\$220,000	-11.1
Westfield	\$181,500	\$187,000	3.0
Westhampton	\$195,000	\$219,900	12.8
Williamsburg	\$232,500	\$220,000	-5.4
Median Avg.	\$203,463	\$202,756	-0.9
2011 Assessment Area (Additional Towns and Cities)			
Agawam	\$183,250	\$191,750	4.6
Chicopee	\$155,000	\$155,000	0.0
West Springfield	\$185,000	\$175,000	-5.4
Total Median Avg.	\$198,876	\$198,203	-0.9
State & County			
State of MA	\$265,000	\$275,000	3.8
Hampden County	\$154,250	\$152,000	-1.5
Hampshire County	\$219,000	\$215,950	-1.4

Source: The Warren Group; *Chesterfield's 80.0 percent increase is more an anomaly due to the low volume of sales per year as 2009 had 19 sales and 2010 had 16. The median value can be influenced greatly depending on the types of homes sold during those years.

Employment

Both the 2009 and 2010 assessment area and the 2011 assessment area contain five colleges and universities, including the University of Massachusetts at Amherst (UMass), Amherst College, Hampshire College, Mount Holyoke College, and Smith College. The largest employers in the assessment area include these colleges and universities, with UMass being the largest employer (6,169). Other major employers in the area include Westover Air Reserve Base (4,500) in Chicopee, Cooley Dickinson Hospital (1,816) in Northampton, and C&S Wholesale Grocers, Inc. (1,500) in Hatfield. The service sector also plays a vital role in the area economy, with a high concentration of restaurants and retail businesses in the larger population centers.

Unemployment

The U.S. Bureau of Labor Statistics indicates that Massachusetts had an unemployment rate of 8.2 percent in 2009, with a slight increase in 2010 to 8.5 percent. The national unemployment rates were 9.3 percent in 2009 and 9.6 percent in 2010. Additionally, according to the Massachusetts Executive Office of Labor and Workforce Development, the unemployment rates for the Springfield, MA-CT Metropolitan NECTA, were 8.8 percent in 2009 and 9.4 percent in 2010; between both the State and U.S. figures for both years. The Springfield, MA-CT Metropolitan NECTA unemployment rate decreased from December 2010 through November 2011, from 9.0 percent to 7.3 percent, respectively. The unemployment rates for Hampshire County for 2009 and 2010 were 6.5 percent and 6.9 percent, respectively, representing lower figures than both the State and U.S. unemployment figures. While the unemployment rates at both the county and State levels have remained relatively steady, the rates represent a weak labor market and could be a factor in the demand for home mortgage loans.

Competition

The Bank operates and primarily serves the credit needs of the greater Springfield, Massachusetts area. This area is considered highly competitive. The competition includes banks, mortgage companies, credit unions, and other financial entities originating home mortgage and small business loans in this market. The Bank competes with larger regional and national banks such as Bank of America, N.A.; RBS Citizens, N.A.; Wells Fargo Bank, N.A.; and TD Bank, N.A.

Aggregate lender performance for 2009 indicates that among 216 mortgage lenders in the assessment area, Easthampton Savings Bank ranked second, capturing 9.6 percent of the market share in total mortgage loans originated within its assessment area. Florence Savings Bank ranked first with an 11.7 percent market share, Bank of America, N.A. ranked third in market share with 6.9 percent, followed by Holyoke Credit Union with 4.8 percent.

Aggregate lender performance for 2010 indicates that among 217 mortgage lenders in the assessment area, the Bank again ranked second, capturing 8.2 percent of the market share in total mortgage loans originated within its assessment area. Florence Savings Bank ranked first with a 9.9 percent market share, PeoplesBank ranked third with a 6.6 percent market share, followed by Bank of America, N.A. with a 5.5 percent market share.

In 2009, 49 lenders reported small business loan originations in Hampshire and Hampden Counties. Easthampton Savings Bank was ranked twelfth, with a market share of 1.4 percent (by number), and 4.7 percent (by dollar amount). In 2010, 56 lenders reported small business loan originations in Hampshire and Hampden Counties. Easthampton Savings Bank was ranked thirteenth, with a market share of 1.2 percent (by number), and 4.2 percent (by dollar amount).

It should be noted that small business loan aggregate data includes small business lenders such as American Express Bank, FSB; GE Money Bank; Chase Bank USA, NA; and CitiBank (South Dakota), NA, that originate a significant number of loans (62.4 percent in 2009 and 58.3 percent in 2010 for the combined market share). These loans are generally in relatively small dollar amounts and through small business credit card lending. It is difficult for smaller community banks to compete with this activity. While the small business lenders previously mentioned had an average loan size of less than \$8,000, the Bank's average loan size to small businesses was \$98,000 in 2009 and \$114,000 in 2010. The smaller average loan size demonstrates the Bank's support of small businesses located within its assessment area.

According to the FDIC's June 30, 2011 summary of deposits report for Hampshire County, there are 16 FDIC-Insured institutions (57 total offices) with total deposits of \$3,419,163. Easthampton Savings Bank has seven offices and \$689,362 in deposits in Hampshire County. According to the FDIC's June 30, 2011 summary of deposits report for Hampden County there are 20 FDIC-Insured Institutions (161 total offices) with total deposits of \$8,032,567. Easthampton Savings Bank has two offices and \$55,385 in deposits in Hampden County.

Community Contact

As part of the evaluation process, third parties active in the assessment area are contacted to assist in determining the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs and what credit and community development opportunities, if any, are available. For purposes of this evaluation, two community contacts were conducted.

The first was with a local non-profit community development organization serving Northampton, Easthampton, Amherst, and Hadley; and the other was with a government community development organization serving Holyoke. This second contact administers the Community Development Block Grant (CDBG) and the HOME Investment Partnerships Program Grant (HOME) received from the U.S. Department of Housing and Urban Development (HUD). These organizations provide financial education to potential homeowners and small business owners, assist first time home buyers in purchasing their own homes, develop affordable housing for those in need, and make home rehabilitation loans. The CDBG funds may be used for a wide range of activities that improve housing, the living environment, and economic opportunities primarily for persons of low- to moderate-income. While the contacts were generally complimentary of the support received by financial institutions in the area, the contacts believe more publicizing of current flexible lending programs, for the purchase, construction, or refinance of a residence would be helpful. One contact also noted that the area's small businesses also require commercial credit options, as well as technical assistance, in light of the current economic conditions in the communities being served by the organization. Overall, both contacts were pleased with the responsiveness of the local banks to the area's credit needs.

Overall Performance Context Summary Remarks

Based on discussions with management, a review of area demographics, and the aforementioned discussions with community contacts, it appears the assessment area's primary credit needs include residential loans, personal loans, and small business loans to support the local business base. It also appears that affordable housing programs as well as products and first time homebuyer options for low- and moderate-income individuals and families are a need. Last, due to economic conditions during the evaluation period, foreclosure prevention programs and products, as well as foreclosure assistance programs are a growing community need. Further, community development needs within the assessment area are concentrated in the cities of Holyoke, Chicopee, Westfield, and West Springfield, which contain high population centers and the assessment area's low- and moderate-income geographies.

SCOPE OF EXAMINATION

This evaluation was conducted jointly by the Division and FDIC using Large Bank examination procedures. Management requested the evaluation based on Large Bank examination procedures. These procedures include three performance tests: the Lending, Investment, and Service Tests. The data and applicable timeframes utilized for the three tests are discussed below.

As mentioned previously, Easthampton Savings Bank changed its assessment area since the July 30, 2008 CRA evaluation due to the Bank opening a branch in Agawam, Massachusetts in April 2011. This resulted in an increase of its assessment area size from 45 census tracts to 66 census tracts. This evaluation covers lending activities for 2009, 2010, and the first three quarters of 2011 (through September 30, 2011). Descriptions of the 2009 and 2010 assessment area and 2011 assessment area are presented. However, the primary focus of this evaluation will be the 2009 and 2010 assessment area due to the availability of aggregate HMDA and CRA lending data for these years.

A review of the Bank's loan portfolio composition and discussions with management indicate that the Bank's primary lending focus is home mortgage lending; however, the Bank is also an active commercial lender. Consumer loans represent a very small portion of the Bank's loan portfolio and the Bank did not collect or request consideration of its consumer loans as part of this evaluation. The Bank did not originate any small farm loans in 2010 and originated only 3 in 2009; due to the nominal lending activity in small farm lending, small farm loans were not considered in this evaluation. The small number of consumer loans and small farm loans would not have had any effect on the conclusions reached in this evaluation if they had been considered. Based on the Bank's lending activity, the focus of this evaluation is home mortgage and commercial lending activities, with more weight given to home mortgage lending as it makes up a larger percentage of the loan portfolio and is a primary lending strategy of the Bank.

Information concerning home mortgage lending was derived from the Loan Application Registers ("LARs") maintained by the Bank pursuant to the Home Mortgage Disclosure Act ("HMDA"). The LARs contain data about home purchase and home improvement loans, including refinancing, of 1-4 family and multi-family (five or more units) properties. Information concerning commercial lending was derived from the Bank's small business loan registers. The registers contain information on originated commercial real estate and commercial and industrial loans with original balances of \$1 million or less.

The Lending Test includes analyses of the Bank's home mortgage and small business lending data for full years 2009 and 2010 and the first three quarters of 2011. Within this evaluation, reference to 2009, 2010, and the first three quarters of 2011 (YTD) data is included in the *Lending Inside the Assessment Area* table. For the *Geographic Distribution* and *Borrower Characteristics* tables, the 2009 and 2010 data is included in the tables and the YTD 2011 lending data is only referenced in the narrative if the performance is materially different from the 2009 and 2010 lending patterns. This is because 2011 aggregate lending data is not available for comparison. The Bank's 2009 and 2010 home mortgage and small business lending performance is compared to the 2009 and 2010 aggregate lending data. The aggregate lending data includes lending information from all HMDA mortgage and CRA small business loan reporters that originated loans in the Bank's assessment area.

Although both the number and dollar volume of the Bank's home mortgage and small business loans were reviewed, the number of originations was weighed more heavily than the dollar volume. This is because the number of loans is less likely to be influenced by factors such as

business size, applicant income level, or varying real estate values within the Bank's assessment area. If dollar volume was emphasized, higher income borrowers or geographic areas would generally appear to receive a larger percentage of loans simply because each loan is likely to be a larger dollar amount.

The CRA evaluation also includes community development loans, innovative or flexible loans, grants, and services for the period July 31, 2008, through December 19, 2011. Qualified community development equity investments and deposits held by the Bank are included regardless of investment date. The investments were valued at the December 19, 2011, book value.

Demographic information is from the 2000 U.S. Census unless otherwise noted. Financial data was derived from the Bank's September 30, 2011, Call Report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's lending efforts are rated under the five major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, and Innovative or Flexible Lending Practices. The following information details the data compiled and reviewed, as well as conclusions on the Bank.

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: (1) the volume of lending activity; (2) the proportion of lending within the assessment area(s); (3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle-, and upper-income geographies in the assessment area(s); (4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses of different sizes; (5) the distribution of small business loans by loan amount at origination; (6) the volume of community development lending; and (7) the use of innovative or flexible lending practices.

The Bank's overall lending reflects adequate responsiveness to the credit and community development needs of its assessment area.

I. Lending Activity

Easthampton Savings Bank's lending activity reflects excellent responsiveness to the assessment area's credit needs.

During the evaluation period, the Bank originated a total of 1,647 home mortgage loans totaling approximately \$397 million and 282 small business loans totaling approximately \$31 million within the assessment area. The volume of home mortgage lending is an increase from the previous evaluation period, which stood at 708 home mortgage originations totaling approximately \$133 million. The prior evaluation period did not analyze small business loans as it was a smaller percentage of the Bank's lending portfolio at that time.

Easthampton Savings Bank operates in a competitive mortgage lending market. As previously mentioned, according to aggregate data, in 2009, there were 216 lenders in the assessment area. Easthampton Savings Bank ranked second, capturing 9.6 percent of the market share in total mortgage loans originated within its assessment area. In 2010, there were 217 lenders in the assessment area, and the Bank again ranked second, capturing 8.2 percent of the market share in total mortgage loans originated within its assessment area. These financial institutions include other local banks, mortgage companies, and credit unions. Additionally, larger regional and national banks have a presence within the Bank's assessment area and contribute to the high level of competition.

The Bank also operates in a competitive small business lending market. In 2009, the Bank ranked 12th, with a market share of 1.4 percent out of 49 lenders reporting small business loan originations in Hampshire and Hampden Counties. In 2010, the Bank ranked 13th, with a market share of 1.2 percent out of 56 lenders reporting small business loan originations in Hampshire and Hampden Counties.

II. Assessment Area Concentration

This performance criterion measures the percentage of the Bank's lending that benefits assessment area residents and businesses and evaluates the adequacy of such lending. Easthampton Savings Bank originated a high percentage of home mortgage and small business loans within its assessment area. Refer to Table 7 for specific information concerning the distribution of loans inside and outside the assessment area.

Table 7 Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number Loans					Dollar Volume (\$000)				
	Inside		Outside		Total	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
<i>2009</i>										
Home Purchase	109	74.1	38	25.9	147	23,842	77.6	6,872	22.4	30,714
Home Improvement	85	89.5	10	10.5	95	11,429	86.5	1,789	13.5	13,218
Refinance	425	80.1	101	19.2	526	79,836	79.0	21,243	21.0	101,079
Total	619	80.6	149	19.4	768	115,107	79.4	29,904	20.6	145,011
<i>2010</i>										
Home Purchase	149	81.9	33	18.1	182	31,450	84.9	5,604	15.1	37,054
Home Improvement	62	84.9	11	15.1	73	8,589	86.1	1,382	13.9	9,971
Refinance	270	84.6	49	15.4	319	42,929	86.0	6,988	14.0	49,917
Total	481	83.8	93	16.2	574	82,968	85.6	13,974	14.4	96,942
<i>YTD 2011</i>										
Home Purchase	168	77.1	50	22.9	218	36,155	80.1	8,969	19.9	45,124
Home Improvement	58	70.7	24	29.3	82	9,634	77.6	2,781	22.4	12,415
Refinance	321	76.8	97	23.2	418	53,050	76.5	16,313	23.5	69,363
Total	547	76.2	171	23.8	718	98,839	77.9	28,063	22.1	126,902
Total Home Loans	1,647	80.0	413	20.0	2,060	296,914	80.5	71,941	19.5	368,855
Small Business 2009	123	91.8	11	8.2	134	12,921	97.2	376	2.8	13,297
Small Business 2010	78	82.1	17	17.9	95	8,992	83.9	1,730	16.1	10,722
Small Business 2011	81	89.0	10	10.1	91	8,729	84.8	1,558	15.2	10,287
Total Small Business Loans	282	88.1	38	11.9	320	30,642	89.3	3,664	10.7	34,306
Grand Total	1,929	81.1	451	18.9	2,380	327,556	81.2	75,605	18.8	403,161

Source: 2009, 2010 and YTD 2011 Bank HMDA LARs and 2009, 2010 and YTD 2011 Bank Small Business Loan Registers.

As illustrated in Table 7, the Bank originated a total of 2,060 home mortgage and 320 small business loans totaling approximately \$370 million and \$34 million, respectively, from January 1, 2009 through September 30, 2011. Of these loans, 80.0 percent of mortgage loans and 88.1 percent of small business loans, by number, were originated within the assessment area.

Home Mortgage Lending

As depicted in Table 7, the Bank originated 768 home mortgage loans in 2009 totaling approximately \$145 million. Of these loans, 619 were originated within the Bank's assessment area, representing 80.6 percent by number and 79.4 percent by dollar volume. During 2009, 216 lenders originated home mortgage loans in the Bank's assessment area, with Easthampton Savings Bank achieving a market rank of second and capturing 9.6 percent of the market share.

Two similarly situated institutions, Florence Savings Bank and PeoplesBank ranked first and sixth respectively. It should be noted that the Bank outperformed many other larger regional and national banks operating in the area.

In 2010, the Bank originated 574 home mortgage loans totaling approximately \$97 million. Of these loans, 481 were originated within the Bank's assessment area, representing 83.8 percent by number and 85.6 percent by dollar volume. Although total loans declined by 25.3 percent, the percent of loans originated in the assessment area increased. While it is acknowledged that the number of loans declined, Easthampton Savings Bank was able to maintain its high rank in market share capturing an 8.2 percent share and again ranking second among the 217 HMDA reporters in 2010.

YTD 2011 revealed a rebound in the Bank's overall lending performance, although the percentage of loans originated in the assessment area decreased. The Bank originated 718 home mortgage loans totaling approximately \$127 million within its assessment area. Of these loans, 547 were originated within the Bank's assessment area, representing 76.2 percent by number and 77.9 percent by dollar volume. As noted in Table 7, these loans represent 76.2 percent by number and 77.9 percent by dollar volume of the total number of loans originated.

Small Business Lending

In 2009, the Bank originated 91.8 percent of small business loans by number and 97.2 percent by dollar amount within the assessment area. The percentages for both the number of loans and the dollar amount decreased in 2010 to 82.1 percent and 83.9 percent, respectively. YTD 2011, the Bank originated 89.0 percent of its small business loans by number and 84.8 percent by dollar amount within the assessment area.

III. Borrower Characteristics

The distribution of loans classified by borrower income and business revenue was reviewed to determine the extent to which the Bank is addressing the credit needs of its assessment area residents and small business customers. Overall, the distribution of loans reflects adequate penetration among customers of different income levels and businesses of different sizes.

Home Mortgage Lending

Table 8 illustrates the distribution of the Bank's home mortgage loans by borrower income level for 2009 and 2010. The table also references aggregate lending data for 2009 and 2010 and demographic information.

Table 8 Distribution of Home Mortgage Loans by Borrower Income									
Loan Category	Bank Loans (#)	% of Bank Loans				% of Aggregate Lending			
		Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
2009									
Purchase	109	0.0	10.1	22.9	53.1	7.1	27.8	29.8	33.2
Refinance	425	0.7	9.2	28.0	59.5	3.6	15.6	26.4	47.5
Home Improvement	85	9.4	12.9	27.1	48.2	5.8	20.2	27.6	44.5
Total	619	1.8	9.9	27.0	56.8	4.7	19.2	27.4	43.5
2010									
Purchase	149	0.7	18.1	13.4	57.7	6.1	24.1	28.3	38.7
Refinance	270	3.3	15.2	21.8	56.3	3.8	15.0	25.6	51.2
Home Improvement	62	3.2	17.7	24.2	38.7	6.9	18.7	28.3	44.0
Total	481	2.5	16.4	19.5	54.5	4.7	17.7	26.5	47.3
Demographics	Total Families (#)	Low (%)	Moderate (%)	Middle (%)	Upper (%)				
Families	49,536	19.4	16.0	22.2	42.4				

Source: 2000 U.S. Census data, 2009 and 2010 Bank HMDA data, and 2009 and 2010 Aggregate HMDA Data. Excludes Loans with unknown incomes. Percentages may not total 100 due to rounding.

As shown in Table 8 above, for 2009 and 2010 the distribution of the Bank's home mortgage loans to low-income borrowers (1.8 percent and 2.5 percent, respectively) was below aggregate lending data (4.7 percent each year). The percentage of loans to low-income borrowers is well below the percentage of families in this income category, at 19.4 percent. However, as discussed in the Description of the Assessment Area section, it is important to note that 8.7 percent of assessment area's families have income levels below the poverty level, and as such, may not be able to qualify for home mortgage loans. In fact, based on the amount of income a low-income family earns, it would be difficult for any borrowers in this income category to qualify for a loan.

For moderate-income borrowers, in 2009 Easthampton Savings Bank, at 9.9 percent, lagged the aggregate lenders at 19.2 percent and the percentage of moderate-income families within the assessment area at 16.0 percent. However, in 2010, the Bank's moderate-income lending improved to 16.4 percent. The Bank's performance is slightly less, but generally comparable to the aggregate lenders performance at 17.7 percent and is slightly higher, but generally consistent with the percentage of moderate-income families in the assessment area, at 16.0 percent. Given the competitive nature of the assessment area, the Bank's ability to increase its performance while aggregate slightly decreased is noteworthy and shows that the Bank's efforts to reach moderate-income borrowers.

Analysis of YTD 2011 reveals the low- and moderate-income lending performance decreased slightly to 13.9 percent of originations to low- and moderate-income borrowers. Bank management stated in an effort to increase its low- and moderate-income borrower lending, the Bank's first time homebuyer products are going to be revamped.

Of the 216 HMDA reporters that originated HMDA reportable loans within the Bank's assessment area in 2009, the Bank was fifth in originations to low-income borrowers with a market share of 4.1 percent and fourth in originations to moderate-income borrowers with a market share of 5.2 percent. Of the 217 HMDA reporters that originated HMDA reportable loans within the Bank's assessment area in 2010, the Bank ranked fifth in originations to low-income borrowers with a market share of 4.6 percent and was second in originations to moderate-income borrowers with a market share of 7.7 percent. The Bank's increase in its moderate-income borrower market rank in 2010 is noted and reflects positively.

Small Business Lending

Table 9 depicts the Bank's small business lending performance by size of the business for 2009 and 2010. The table includes the distribution of businesses in the assessment area and 2009 and 2010 aggregate data for comparison purposes.

Table 9								
Distribution of Small Business Loans by Gross Annual Revenues (GAR) of Business								
Gross Annual Revenues (000s)	% of Businesses		2009 Aggregate Data	2010 Aggregate Data	2009 Bank Data		2010 Bank Data	
	2009	2010	% of #	% of #	#	% of #	#	% of #
≤ \$1,000	73.7	74.7	28.9	31.5	77	62.6	49	62.8
>\$1,000 or N/A	4.7	4.5	71.1	68.5	46	37.4	29	37.2
Total	100	100	100.0	100.0	123	100.0	78	100.0

Source: 2009 and 2010 Dun & Bradstreet Geo-demographic data, 2009 and 2010 Aggregate CRA Data, and 2009 and 2010 Bank Small Business Loan Registers.

As shown in Table 9, in 2009, the Bank made 62.6 percent of all small business loans to businesses with GAR of \$1 million or less. In 2010, the Bank originated 62.8 percent of its small business loans to businesses with GAR of \$1 million or less. Both years are lower than the percentage of businesses in that size category; however, the Bank's performance significantly exceeds the aggregate market performance of 28.9 percent and 31.5 percent, respectively. This performance is good considering the Bank's size, resources and competition.

For YTD 2011, 56 or 69.1 percent of all small business loans in the assessment area were to businesses with GAR of \$1 million or less. This figure reflects a slight increasing trend in small business lending patterns. The Bank's performance reflects the Bank's willingness to meet the credit needs of small businesses within its assessment area.

IV. Geographic Distribution

The geographic distribution of loans was reviewed to assess the Bank's performance in addressing credit needs throughout its assessment area. The primary focus of this analysis was placed on lending in low- and moderate-income census tracts. Overall, the geographic distribution of home mortgage and small business loans reflects a poor dispersion throughout the assessment area.

Home Mortgage Lending

This analysis includes a review of the Bank's distribution of residential mortgage loans among the area's census tracts to the percentage of total owner-occupied housing units by census tract, as well as a comparison to aggregate lender performance.

Table 10 contains a summary of the Bank's 2009 and 2010 home mortgage lending activity by percentage of loans within each of the income tract categories. In addition, the table also references the aggregate lender home mortgage activity and demographic information.

Table 10									
Distribution of Home Mortgage Loans by Census Tract Income Level									
Loan Category	Bank Loans (#)	% of Bank Loans				% of Aggregate Lending			
		Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
2009									
Purchase	109	0.0	0.9	48.6	50.5	2.5	8.9	53.3	35.3
Refinance	425	0.0	0.9	49.9	49.2	0.4	4.8	53.7	41.1
Home Improvement	85	0.0	1.2	42.3	56.5	1.0	2.7	56.7	39.6
Total	619	0.0	1.0	48.6	50.4	0.9	5.2	53.4	40.5
2010									
Purchase	149	0.0	2.7	45.6	51.7	1.8	6.3	57.0	34.9
Refinance	270	0.4	0.4	47.0	52.2	0.3	4.2	53.5	42.0
Home Improvement	62	0.0	3.2	41.9	54.8	0.0	4.3	52.2	43.4
Total	481	0.2	1.5	45.9	52.4	0.6	4.5	53.6	41.3
Demographics	Total Owner-Occupied Housing Units (#)	Low (%)	Moderate (%)	Middle (%)	Upper (%)				
Owner-Occupied Housing Units	48,363	0.7	7.5	53.6	38.2				

Source: 2000 U.S. Census data, 2009 and 2010 Bank HMDA data, and 2009 and 2010 Aggregate HMDA Data. Percentages may not total 100 due to rounding.

An analysis of the above data reveals that the Bank's low- and moderate-income census tract lending performance in 2009 and 2010 lags both the aggregate lenders lending performance and demographics. It is recognized that there is a low percentage of owner-occupied housing units in these tracts, particularly the low-income census tracts. Nonetheless, aggregate lenders did originate loans in these tracts. A further discussion of this analysis follows below.

During 2009, the Bank extended home mortgage loans in 32 of the 45 census tracts. Regarding the Bank's low- and moderate-income census tract penetration, the Bank did not originate any loans within the four low-income census tracts and originated loans within two of the five moderate-income census tracts. Of the 216 HMDA reporters that originated HMDA reportable loans within the Bank's assessment area in 2009, the Bank ranked twelfth in originations in low- and moderate-income census tracts with a market share of 1.5 percent.

During 2010, the Bank extended home mortgage loans in 36 of the 45 census tracts in the assessment area. Regarding the Bank's low- and moderate-income census tract penetration, the Bank originated loans in one of the four low-income census tracts and within three of the five moderate-income census tracts. Of the 217 HMDA reporters that originated HMDA reportable loans within the Bank's assessment area in 2010, the Bank ranked ninth in originations in low- and moderate-income census tracts with a market share of 2.7 percent.

YTD 2011, the Bank increased its penetration, as the Bank extended home mortgage loans in 36 of the 45 census tracts. Regarding the low- and moderate-income census tracts, the Bank originated loans in two of the four low-income census tracts (50 percent), and three of the five moderate-income census tracts (60 percent).

Management attributed the Bank's poor lending performance in the low- and moderate-income census tracts to their lack of physical presence in Holyoke and low percentage of owner-occupied units in the low- and moderate-income tracts in the assessment area. Specifically, seven out of nine low- and moderate-income tracts are located in Holyoke. The Bank does not have a physical presence there, which management indicates makes it difficult to compete with the multitude of other larger institutions located physically in Holyoke. Also, the low rate of owner-occupied units in the low- and moderate-income tracts is considered an obstacle in making home mortgage loans.

Regarding the low-income census tracts, a review of aggregate data reveals that lending in the low-income census tracts is dominated by large, multi-state financial institutions and mortgage companies based in Holyoke. Also, demographic data reveals the low-income census tracts in Holyoke contain less than one percent of the assessment area's owner-occupied housing units. The Bank's lack of lending in these low-income tracts is partially attributable to limited lending opportunities and competition.

Regarding the moderate-income census tracts, a review of aggregate data reveals a high level of competition from financial institutions and mortgage companies based within the tracts. Also, demographic data reveals that the moderate-income census tracts in the assessment area contain 7.5 percent of the assessment area's total owner-occupied housing units.

Also, a review of the demographic data revealed that a high percentage of low-income families reside within the low- and moderate-income census tracts. The weighted average of median family income of the low- and moderate-income tracts where the Bank made no originations is \$28,539 and the percent of families below poverty level is 28 percent. This data reveals that these families may not be able to afford to buy a home, thereby lowering opportunities for loan originations in these census tracts.

While the low level of owner-occupied units, the level of competition, coupled with the high level of families below poverty levels are all factors that hinder the Bank's ability to lend, there is demand for loans in these census tracts, as noted by the activity of other HMDA reporters. It is noted that the Bank is making a concerted effort to increase lending activity in Holyoke. The Bank is advertising in TV and print media that reaches Holyoke. The Bank is also looking to establish a branch in Holyoke and West Holyoke; however, to date, parking issues and price has deterred this endeavor. In addition, the Bank is looking into Massachusetts Housing financing opportunities and holding more first time homebuyer seminars in Holyoke. Bank management expressed its intentions to focus on penetrating these census tracts.

Small Business Lending

Table 11 summarizes the distribution of the Bank's 2009 and 2010 small business loans by census tract income level. The table also references the 2009 and 2010 aggregate lending data and demographics.

Table 11									
Distribution of Small Business Loans by Census Tract Income									
Loan Category	# of Bank Loans	% of Bank Loans				% of Aggregate Lending			
		Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
2009 Small Business	123	3.3	1.6	51.2	43.9	5.2	7.1	51.6	36.1
2010 Small Business	78	0.0	2.6	59.0	38.4	4.6	7.9	52.1	35.4
Demographics	# of Businesses	Low (%)	Moderate (%)	Middle (%)	Upper (%)				
2009 Businesses	16,393	6.0	11.9	51.5	30.3				
2010 Businesses	13,944	5.3	12.0	51.5	31.2				

Source: 2009 and 2010 Dun & Bradstreet Geo-demographic data, 2009 and 2010 Aggregate CRA Data, and 2009 and 2010 Bank Small Business Loan Registers.

An analysis of the above data reveals that the Bank's low- and moderate-income census tract lending performance in 2009 and 2010 lags both the aggregate lenders lending performance and demographics. It is recognized that there is a smaller percentage of businesses operating in these tracts; however, loan demand is present as aggregate lenders did originate loans in these tracts. A further discussion of this analysis follows below.

During 2009, the Bank originated six small business loans in three of the nine low- and moderate-income census tracts. Specifically, the Bank originated four small business loans in one of the four low-income tracts (3.3 percent), and two loans in two of the five moderate-income census tracts (1.6 percent). Aggregate lenders originated 5.2 percent of their small business loans in the low-income tracts and 7.1 percent of their small business loans in the moderate-income census tracts. 2009 demographic information reveals that approximately 6.0 percent of the area's small businesses are in low-income census tracts and 11.9 percent of the area's small businesses are in moderate-income census tracts. The Bank's level of lending is lower than aggregate and demographic data, particularly its moderate-income census tract lending activity, reflecting a poor performance.

During 2010, the Bank's performance diminished further as the Bank originated small business loans in only one of the nine low- and moderate-income tracts. Specifically, no small business loans were granted in any of the four low-income census tracts and one loan was originated within one of the five moderate-income census tracts. Aggregate lenders originated 4.6 percent of their small business loans in the low-income census tracts and 7.9 percent of their small business loans in the moderate-income census tracts. 2010 demographic information reveals that 5.3 percent of the area's small businesses are in low-income census tracts and 12.0 percent are in moderate-income census tracts. The level of Bank lending is again lower than the aggregate ad demographic data.

YTD 2011 revealed a continued downward trend as the Bank originated small business loans in only one of the nine low- and moderate-income tracts representing only three small business loans out of 81 total loans originated in the assessment area.

The Bank indicated that this poor performance in small business lending within low- and moderate-income census tracts is indicative of the same constraints as discussed previously regarding home mortgage lending in these same tracts. In addition to the actions previously discussed under the home mortgage lending section, the Bank is also looking into expanding its SBA lending into Holyoke through the addition of a new commercial loan originator. This originator will attempt to focus on small business opportunities in the Holyoke area.

V. Community Development Lending

As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low- and moderate-income individuals; community services targeted to low- and moderate-income individuals; activities that promote economic development by financing small businesses or small farms; or activities that revitalize or stabilize low- and moderate-income geographies. Furthermore, the loan must benefit the Bank's assessment area or a broader statewide area that also includes the assessment area. Loans required to be reported as home mortgage loans or small business loans cannot also be reported as community development loans unless the loan is for a multi-family dwelling (five or more units), meets a community development definition, and benefits the Bank's assessment area or a broader statewide area that includes the assessment area.

The institution's community development lending activities are evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available to the institution; (2) the responsiveness of the institution's community development lending; and (3) the extent of leadership the institution has demonstrated in community development lending.

During the evaluation period, the Bank made or renewed 33 qualified community development loans totaling \$15.8 million to various organizations throughout the assessment area to help support affordable housing and community service initiatives. During the last evaluation, the Bank made 18 qualified community development loans totaling \$2.3 million. During this evaluation period, Easthampton Savings Bank increased the number and amount of its qualified community development loans. The Bank's overall community development lending reflects a relatively high level of performance in meeting the credit needs to support community development activities within the assessment area. Table 12 summarizes the Bank's qualified community development loans by year, amount, and purpose.

Table 12										
Qualified Community Development Loans										
Community Development Purpose	2008*		2009		2010		YTD 2011		Total	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Affordable Housing	-	-	9	8,871	8	2,791	10	3,769	27	15,431
Community Services	-	-	-	-	2	167	4	178	6	345
Promoting Economic Development	-	-	-	-	-	-	-	-	-	-
Revitalization	-	-	-	-	-	-	-	-	-	-
Total	-	-	9	8,871	10	2,958	14	3,947	33	15,776

Source: 2008, 2009, 2010, and YTD 2011 Bank Data; * 2008 data includes July 31 through December 31, 2008.

In 2010 and YTD 2011, Easthampton Savings Bank originated six loans totaling \$345,000 to a non-profit organization whose mission is to train and educate unemployed physically and mentally handicapped adults for job placement and to facilitate these individuals full participation in the community.

The majority of the rest of the community development loans originated in 2009, 2010, and YTD 2011 went to finance multifamily housing rental units which provide affordable housing to low-income individuals and families. These loans provided over 300 units of housing at rental rates considered affordable to low- and moderate-income individuals and families using the Department of Housing and Urban Development's (HUD) median family income guidelines.

VI. Innovative or Flexible Lending Practices

The Bank's innovative and flexible lending practices are evaluated pursuant to the following criteria: (1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and (2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the evaluation period.

Easthampton Savings Bank makes limited use of innovative or flexible lending practices and loan products. The Bank offers several loan programs that feature innovative and flexible lending practices that increase the availability of credit to borrowers of various income levels, including some low- and moderate-income borrowers, as well as small businesses in the assessment area. The Bank continues to offer a majority of the innovative and flexible lending practices that were noted in the previous evaluation.

Easthampton Savings Bank (ESB) Revitalization Loan Programs

The Revitalization Programs provide funds for revitalization projects for both residential and commercial properties. The programs are open to residents and businesses in Easthampton and surrounding communities at favorable interest rates. The Towns that the Revitalization Programs are open to are: Amherst, Belchertown, Chesterfield, Chicopee, Easthampton, Goshen, Granby, Hadley, Hatfield, Holyoke, Huntington, Ludlow, Montgomery, Northampton, South Hadley, Southampton, Westfield, Westhampton, and Williamsburg. The programs were developed in cooperation with the town's economic development commission. The Bank committed \$750,000 to each program. During the evaluation period, the Bank originated 37 loans totaling approximately \$287,000 under these programs. The following summarizes each Revitalization Program offered during the evaluation period.

- ***Residential Program***

The residential program is open to residents of the downtown area of Easthampton with no income limitations, as well as to other residents of Easthampton and residents of surrounding towns who have incomes at or below the HUD median income. Qualifying projects include structural repairs, lead paint and asbestos abatement, weatherization, and other improvements necessary to meet health and building codes. Funds may also be available for removal of underground oil tanks and upgrading the appearance of residential properties. Residents of designated communities are also eligible for sewer or water hook-up or Title V repairs without income limitations. The program offers low interest rates, including interest free loans for terms up to one year.

- ***Commercial Program***

Similar to the residential program, this program offers loans to businesses in the designated downtown area of Easthampton with no income limitations and to businesses in other areas of Easthampton and surrounding towns with annual revenues less than \$1 million. Qualifying projects include façade and signage improvements, lead paint and asbestos abatement, access improvements, building rehabilitation, and equipment upgrades. In addition, sewer and water

hookups and Title V repairs are available with no income restriction. Loan limits vary with the project ranging from \$2 loaned for each private dollar invested to a one-for-one match. Façade and signage projects require prior approval by the Development and Industrial Commission in Easthampton or any similar applicable approval in other towns.

ESB Fuel Line

This program makes a line of credit available to qualified owners and tenants of 1-4 family residences for the purposes of paying heating expenses, including oil, gas, electric, and wood pellets. The line allows the borrower to pre-pay for fuel or draw on the line to pay when billed. The line is available for draws from November through April. Payments begin in December and run through November of the following year. The amount of the line is based on the previous year's fuel usage. The line is offered at a discounted rate to those customers whose income falls at or below 115 percent of the HUD median income, is unsecured, and has a maximum amount of \$5,000.

Based on available year-end data and current information through December 19, 2011, Easthampton Savings Bank originated 10 lines of credit under this program. Total dollar volume is not included as available data is based on current outstanding balances rather than total borrowings.

First Time Homebuyer Program

This program is open to first time homebuyers or displaced homeowners who have an annual income not exceeding 115 percent of the median family income for Franklin, Hampden, or Hampshire Counties. The program provides an expanded loan-to-value ratio of up to 95 percent with private mortgage insurance for 1- or 2-family dwellings, expanded qualifying ratios, a discounted rate, and reduced fees. The loan is structured as a 5/1 ARM with a thirty year amortization. During the evaluation period, the Bank originated 20 loans totaling approximately \$3.0 million under this program.

Small Business Administration (SBA) Express Loans

Easthampton Savings Bank offers loans to smaller businesses under the SBA Express Program. The program offers loans for working capital, inventory, and equipment as both lines of credit and term loans. The SBA provides a 50 percent guarantee on approved loans. The Bank has originated 10 loans totaling approximately \$420 thousand under this program during the evaluation period.

INVESTMENT TEST

A qualified investment for the purposes of this CRA evaluation is a lawful investment, deposit, donation, or grant that has community development as its primary purpose. The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment areas or a broader statewide or regional area that includes the institution's assessment areas. Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

The Bank's qualified community development investments, donations and grants reflect adequate responsiveness to credit and community development needs given the extent to which such opportunities are available within the assessment area.

During the evaluation period the Bank's qualified equity investments and grants and donations total \$2,296,301. This figure includes the current book value of existing qualified investments, new qualified investments, as well as donations and grants made to qualified organizations during the evaluation period.

Qualified Investments

Qualified bonds and equity investments total \$1,983,139, which represents 0.2 percent of total assets and 0.9 percent of the Bank's total investments of \$216,236,000, as of December 19, 2011. Listed below are the Bank's qualified investments.

- *Access Capital Community Strategies Investment Fund, Inc. (ACSCIF)*

The ASCSIF is an SEC-registered fund structured as a business development corporation. The primary purpose of the fund is to provide a secondary market and financing vehicle for community development loans. The fund invests in private placement debt securities that support affordable housing, education, small business loan securitizations, and other job creating investments within a target region specified by the investing institution. The Bank invested \$1,100,000 in this Fund on July 19, 2011.

- *Federal National Mortgage Association (FNMA) Mortgage Backed Securities*

In 2003 and 2004, the Bank purchased three mortgage backed securities. The securities are backed by mortgages located within the Bank's assessment area to low- and moderate-income borrowers. As of December 19, 2011 the total book value is \$883,139.

Grants and Donations

The Bank's grants and donations are made through the Bank and the Bank's charitable foundation. Funded entirely by the Bank, Easthampton Savings Bank Foundation, Inc. (formally known as Easthampton Savings Foundation, Inc.) was formed on May 29, 1997. The foundation's name changed on June 17, 2011. According to the Bank, the mission of the Foundation is to support community, charitable, educational and other benevolent purposes, and all donations must be made to certified 501(c)3 organizations.

The total amount of qualified grants and donations made by the Bank and the Foundation from July 31, 2008, through December 19, 2011, was \$313,162, representing 22.8 percent of the Bank's and the Foundation's total contribution of \$1,374,355.

Table 13 summarizes the Bank and the Foundation's qualified community development grants and donations by total dollar amount, by year and as a percentage of the Bank's Pre-tax Net Operating Income (NOI). The number of benefiting organizations is also noted.

Table 13 Community Development Grants and Donations					
	2008*	2009	2010	YTD 2011	Total
Easthampton Savings Bank	\$3,750	\$6,698	\$10,036	\$8,605	\$29,089
Easthampton Savings Bank Foundation, Inc.	\$10,250	\$69,950	\$96,506	\$107,367	\$284,073
Total	\$14,000	\$76,648	\$106,542	\$115,972	\$313,162
Pre-tax Net Operating Income	(\$3,370,000)	\$8,785,000	\$11,329,000	\$13,073,000	\$29,817,000
Donations/Pre-Tax NOI**	-0.4%	0.9%	0.9%	0.9%	1.1%
Number of Organizations Benefiting	17	46	50	58	171

Source: Internal Bank Records; *2008 data includes July 31 through December 31, 2008; ** In 2008, the Bank had an unrealized G/L loss on the Bank's available for sale securities, which explains the higher percentage in the total column and the negative percentage in the first column.

Table 14 summarizes the Bank's qualified community development grants and donations by community development purpose for each year, along with the number and dollar amount by purpose and year.

Table 14 Easthampton Savings Bank Community Development Grants and Donations										
Community Development Purpose	2008*		2009		2010		YTD 2011		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Affordable Housing	1	1,000	1	500	0	0	0	0	2	1,500
Community Services	10	2,750	21	5,798	25	7,036	25	6,955	81	22,639
Economic Development/Revitalization	0	0	1	300	5	3,000	7	1,650	13	4,950
Total	11	3,750	23	6,598	30	10,036	32	8,605	96	28,989

Source: Internal Bank Records; *2008 data includes July 31 through December 31, 2008.

Below is a sample of organizations that received qualified grants or donations from the Bank:

Agawam Small Business Assistance Center – This non-profit agency is funded only by donations from local businesses and organizations. It fosters economic growth and client education by providing free professional counseling, workshops and other support services to area entrepreneurs who want to start or improve their businesses.

Communities Responding to Overcome Poverty (CROP) Walk – CROP Walk is an ecumenical relief and development agency that raises money for local food pantries as well as funds for emergency response, education, tools, and blankets to the needy.

Neighbors Helping Neighbors – This newly opened food pantry in South Hadley has provided food to over 100 families in their first month of operation.

YMCA "Partners with Youth Program" – The sole purpose of this program is to provide financial assistance to those who cannot afford the price of YMCA programs. This program makes it possible for low- and moderate-income families to participate in programs such as summer camp, childcare, youth sports, and teen leadership.

Table 15 summarizes the Foundation's qualified community development grants and donations by community development purpose for each year, along with the number and dollar amount by purpose and year.

Table 15 Easthampton Savings Bank Foundation, Inc. Community Development Grants and Donations										
Community Development Purpose	2008*		2009		2010		YTD2011		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Affordable Housing	0	0	5	13,500	4	8,500	4	16,500	13	38,500
Community Services	5	9,250	15	51,950	13	74,506	19	81,867	52	217,573
Economic Development/Revitalization	1	1,000	2	4,500	3	13,500	3	9,000	9	28,000
Total	6	10,250	22	69,950	20	96,506	26	107,367	74	284,073

Source: Internal Bank Records; * 2008 data includes July 31 through December 31, 2008.

Below is a sample of organizations that received qualified grants or donations from the Bank's Foundation:

Amherst Survival Center (ASC) – ASC provides free services through five programs: food collection and distribution; a free drop-in health clinic; a free thrift store that provides new and used clothing and small household goods; a volunteer program to help individuals combat feelings of isolation and to acquire critical job and life skills; and a drop-in center that offers a place to learn new skills, contribute to the community and participate in recreational and educational outings. Clients are low- and moderate-income.

Cooley Dickinson Hospital "Building Our Future" – This free care program provides medical care and treatment for members of the community who are uninsured. The majority of the clients are low- and moderate-income level.

Hilltown Community Development Corporation (CDC) – This organization develops affordable housing and provides first time homebuyer training and down payment assistance to families in Amherst, Chesterfield, and Westhampton. It also supports a small business training program.

Western Massachusetts Enterprise Fund, Inc. (WMEF) – WMEF is a private non-profit community development financial institution working to strengthen communities by creating economic opportunities for low- and moderate-income individuals by providing small business lending, training, and technical assistance.

SERVICE TEST

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; and 3) the degree to which they serve low- and moderate-income community development services.

The Bank's retail and community development services are good. Delivery systems are accessible to essentially all portions of the Bank's assessment area, including low- and moderate-income areas and to individuals of different income levels and businesses of different sizes. Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. The Bank provides a relatively high level of community development services.

Distribution of Branches

Easthampton Savings Bank's service delivery systems are accessible to essentially all portions of the assessment area. Including its main office, the Bank currently operates 9 full-service branch offices in Agawam, Belchertown, Easthampton, Hadley, Northampton (2 offices), South Hadley, Southampton, and Westfield.

The Westfield branch is located in a moderate-income census tract. The main office in Easthampton and the branches in Agawam, Belchertown, Easthampton, Northampton, and South Hadley are located in middle-income census tracts. The Southampton and Hadley offices are located in upper-income census tracts.

Easthampton Savings Bank's distribution of branches and automated teller machines (ATMs) represents a reasonable distribution throughout the assessment area. Table 16 compares the distribution of branches to the percent of tracts in each income category and the percent of population within each tract category.

Table 16						
Distribution of Branches and ATMs						
Census Tract Income	% of Tracts	% of Population	Branches		Deposit-Taking ATMs	
			#	%	#	%
Low	6.1	3.2	0	0.0	0	0.0
Moderate	15.1	17.8	1	11.1	1	6.3
Middle	45.5	51.4	6	66.7	13	81.2
Upper	31.8	27.6	2	22.2	2	12.5
N/A	1.5	0.0	0	0.0	0	0.0
Total	100.0	100.0	9	100.0	16	100.0

Source: Internal Bank Records

As noted in the Table 16, none of the Bank's branches are located in low-income census tracts, 11.1 percent are located in moderate-income census tracts, 66.7 percent are located in middle-income census tracts, and 22.2 percent are located in upper-income census tracts.

The Bank's ATMs are located throughout the assessment area. All branches have ATMs. In addition to the ATMs at the branches, there are nine remote walk-up ATMs; one at the Atkins Farm Country Market in Amherst, one at the Guild Art Centre in Northampton, one at Smith College in Northampton, one at the Red Rock Plaza in Southampton, one at Clementine's in Leeds, two in Easthampton, one in Northampton, and one in Westfield. All of these remote ATMs are located in middle- and upper-income census tracts. The Bank has two additional

ATMs at the Guild Art Centre and Smith College that do not accept deposits. All remote ATM's are currently located in middle-income (7) or upper-income (2) census tracts.

Record of Opening and Closing Branches

To the extent changes have been made, the institution's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

On April 11, 2011, the Bank opened a branch in Agawam, located at 770 Main Street, which is a middle-income-income census tract. The Bank did not close any branches during the evaluation period.

Retail Banking Services

Services, including business hours, do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and individuals. Branch hours are convenient and comparable to other institutions. All of the Bank's branches are open on Saturday. All Bank offices are full-service and each is equipped with an ATM, a drive-up teller window, and a night depository.

The Bank offers a variety of financial services through its branch network. Retail banking services include checking and savings accounts, money market accounts, certificates of deposit, individual retirement accounts, and simplified employee pensions. The Bank also offers a variety of loan products including fixed rate mortgages, adjustable rate mortgages, construction loans, first time homebuyer loans, equity lines of credit, home improvement loans, commercial loans, and SBA loans. Personal and automobile loans are also offered.

Retail banking services of benefit to low- and moderate-income customers include a basic checking account that is a non-interest accruing account with a \$10.00 minimum balance to open and no minimum balance to maintain the account. Additional features of the account include no monthly service charge, unlimited check writing, first check order free, and fee-free ATM transactions within the United States. The Bank also offers low-fee savings accounts and term deposit accounts. Banking services of benefit to small businesses include a service charge-free basic business checking account. The account has no minimum monthly balance to maintain, unlimited check writing, and free business debit cards.

Alternative Delivery Systems

As stated previously, ATMs and drive-ups are available at each of the Bank's office locations, and the Bank has nine remote ATMs within the assessment area. Seven of the nine remote ATMs accept deposits. Other alternative delivery systems include internet banking at www.bankesb.com. Internet banking enables customers to open accounts, apply for a mortgage or loan, view check images online, view eStatements online, transfer funds between accounts, review balance and transaction history, and pay bills. The Bank also offers automated telephone banking which allows customers access to deposit and loan account information, deposit and loan interest rates, and the ability to transfer funds between two statement accounts.

Community Development Services

The Bank provides a relatively high level of community development services. These community development services have resulted in a better educated community, increased awareness of community needs, and contributed to improving the communities served. The Bank offers services to low- and moderate-income residents within the assessment area and provides technical assistance to organizations with a community development purpose.

Bank Officer and Employee Involvement

Below are some examples of activities conducted and organizations that Bank officers and employees were involved in during the evaluation period. All of the services meet the definition of community development and also relate to the provision of financial services as required for consideration under the CRA.

Northampton Survival Center – This Center is an emergency food pantry that provides low-income individuals and families with free food, clothing, personal care items, and referrals for emergency assistance. A Branch Manager is a Committee Member.

Friends of the Hampshire County Homeless – This organization provides financial and volunteer support to the homeless in finding permanent housing. The Assistant Treasurer is a Board Member.

Habitat for Humanity – This non-profit housing organization's goal is to provide homes for low-income families. The Senior Vice President and Chief Operating Officer is on the Finance Committee.

Massachusetts Money Management Program – This non-profit organization helps low-income older people manage their money. The program provides help in balancing checkbooks, preparing checks, ensuring bills are paid on time, and keeping track of finances. The Vice President of Commercial Lending is on the Advisory Council.

Educational Services and Seminars

Bank officers and employees participated in seminars and other events sponsored by the Bank during the evaluation period. These events provide opportunities for Bank representatives to inform those in attendance about the products and services offered by the Bank and to gain information about unmet credit needs in the assessment area. The following are examples of those services and seminars.

- In 2008, the Bank sponsored a workshop for small businesses. The workshop focused on management fundamentals from start-up considerations through business plan development. Topics included financing, marketing, and business planning.
- In 2009, the Bank partnered with a local elderly agency to present a money management program to low-income elders who have difficulty with budgeting, paying routine bills, and balancing their checkbooks.
- In 2010, the Bank presented a first-time homebuyer workshop. Topics included guidance on deciding whether to buy a home, the loan process, and how to maintain good credit.

- In 2011, the Bank participated in the Credit for Life Fair held at Holyoke High School. The Bank promoted financial literacy by explaining to students the impact of spending decisions, how to understand the importance of credit and the impact of spending decisions, how to budget money, how to manage money, and the skills needed to be financially prudent.
- During the evaluation period, the Bank partnered with the Valley Community Development Corporation to sponsor several first time homebuyer classes. Topics included the lending process: what a lender looks at for financials, credit, and work history in order to qualify for a loan; what loan programs and products are available to borrowers; and how to prepare and maintain your credit and the closing costs.
- During the evaluation period, the Bank sponsored several first time homebuyer seminars. Topics included the lending process and what to expect at the various stages of buying a home.
- During the evaluation period, the Bank conducted financial literacy programs to students from kindergarten to high school to teach the importance of savings and smart spending. Topics included basic savings and spending practices; how interest works; what credit is and how it works; determining if you are credit worthy and tips to becoming credit worthy; and the difference between credit and debit cards.
- During the evaluation period, the Bank sponsored a local university to present financial workshops to small business communities. Topics included business entity and basic contracts; basic business plans; understanding financial reports; and cash flow, tax planning, and payroll pointers.

Other Community Development Services

The Bank participates in the Interest on Lawyers' Trust Accounts (IOLTA). Interest earned on the account is utilized to provide legal services to low-income clients. The Bank contributed \$63,060.62 during the evaluation period.

The Bank participates in the Massachusetts Community and Banking Council's (MCBC) Basic Banking in Massachusetts program. This statewide program is designed to offer low cost checking and savings accounts to low- and moderate-income individuals.

The Bank participates in the "Savings Makes Cents" Program. Each week employees from the Bank visit the fourth grade to collect money from students. The children are able to deposit money into their own bank accounts right from their classroom.

On June 15, 2011, the Bank was recognized by the Highland Valley Elder Services for their services in helping to promote awareness of elder abuse.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The Bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. No evidence of discriminatory or other illegal credit practices was identified.

APPENDIX A

Fair Lending Policies and Practices

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

The Bank has a written Fair Lending Policy within its loan policy. The Bank proactively and affirmatively supports the fair lending process through fair, but flexible lending policies. The Bank employs a second review process. The Bank makes exceptions to the loan policy.

All employees are provided with training appropriate to their job description and their responsibilities in fair lending issues.

MINORITY APPLICATION FLOW

The Bank's LARs for 2010 and 2011 were reviewed to determine if the application flow from the different racial groups within the Bank's assessment area was reflective of the assessment area's demographics.

According to the 2000 U.S. Census Data, the Bank's assessment area contained a total population of 328,368 individuals of which 14.8 percent are minorities. The assessment areas minority and ethnic population is 1.8 percent Black/African American, 2.1 percent Asian, 0.2 percent American Indian, 0.1 percent Hawaiian/Pacific Islander, 9.2 percent Hispanic or Latino and 1.4 percent other.

For 2010 and 2011, the Bank received 1,819 HMDA reportable loan applications from within its assessment area. Of these applications, 57 or 3.1 percent were received from minority applicants, of which 40 or 70.2 percent resulted in originations. The Bank also received 29 (1.6 percent) applications from ethnic groups of Hispanic origin within its assessment area of which 20 or 69.0 percent were originated.

Table 17 Minority Application Flow								
RACE	Bank 2010		2010 Aggregate Data		Bank 2011		Bank TOTAL	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	2	0.3	30	0.2	4	0.4	6	0.3
<i>Asian</i>	8	1.0	196	1.3	12	1.1	20	1.1
<i>Black/ African American</i>	3	0.4	149	1.0	8	0.8	11	0.6
<i>Hawaiian/Pac Isl.</i>	0	0.0	19	0.1	0	0.0	0	0.0
<i>2 or more Minority</i>	0	0.0	3	0.1	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	8	1.0	144	1.0	12	1.2	20	1.1
Total Minority	21	2.7	541	3.7	36	3.5	57	3.1
<i>White</i>	723	92.4	11,831	80.9	953	91.9	1,676	92.2
<i>Race Not Available</i>	38	4.9	2,256	15.4	48	4.6	86	4.7
Total	782	100.0	14,628	100.0	1,037	100.0	1,819	100.0
ETHNICITY								
<i>Hispanic or Latino</i>	4	0.5	378	2.6	9	0.9	13	0.7
<i>Not Hispanic or Latino</i>	723	92.4	11,794	80.6	958	92.3	1,681	92.4
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	9	1.2	147	1.0	7	0.7	16	0.9
<i>Ethnicity Not Available</i>	46	5.9	2,309	15.8	63	6.1	109	6.0
Total	782	100.0	14,628	100.0	1,037	100.0	1,819	100.0

Source: US Census, 2010 and 2011 HMDA LAR, 2010 HMDA Aggregate Data

The Bank's level of lending was compared with that of the aggregate's lending performance levels for the most recent year that data was available, the year 2010. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to Table 17 for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

The Bank's performance was below the 2010 aggregate's performance level for both minority and ethnicity. The Bank received 2.7 percent for minorities while the aggregate was 3.7 percent. The percentage of Hispanic applications was 1.7 percent while the aggregate was 3.6 percent.

APPENDIX B

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

APPENDIX C

Investment Definitions

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the Bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

APPENDIX D

Standard Public Evaluation Language

LENDING TEST

Scope of Test

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Community Development Lending:

Performance Criteria

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

Innovative and Flexible Lending Practices:

Performance Criteria

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

INVESTMENT TEST

Scope of Test

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

SERVICE TEST

Scope of Test

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 36 Main Street, Easthampton, MA 01027".

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.